APPENDIX.

Municipal Debt Readjustment.

Chapter IX.

Provisions for the Emergency Temporary Aid of Insolvent Public Debtors and to Preserve the Assets Thereof and for Other Related Purposes.

Declaration of Policy.

Sec. 78. There is hereby found, determined, and declared to exist a national emergency caused by increasing financial difficulties of many local governmental units, which renders imperative the further exercise of the bankruptcy powers of the Congress of the United States.

Additional Jurisdiction.

Sec. 79. Until the expiration of two years from the date this chapter takes effect, in addition to the jurisdiction exercised in voluntary and involuntary proceedings to adjudge persons bankrupt, courts of bankruptcy shall exercise original jurisdiction in proceedings for the relief of debtors, as provided in this chapter of this Act.

Municipal-Debt Readjustments.

Sec. 80. (a) Any municipality or other political subdivision of any State, including (but not hereby limiting the generality of the foregoing) any county, city, borough, village, parish, town, or township, unincorporated tax or special assessment district, and any school, drainage, irrigation, reclamation, levee, sewer, or paving, sanitary, port, improvement or other districts (hereinafter referred to as a "taxing district"), may file a petition stating that the taxing district is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan of readjustment of its debts. The petition shall be filed with the court in whose territorial jurisdiction the taxing district or the major part thereof is located and for any such district having no officials of its own the petition shall be filed by the

municipality or political subdivision, the officials of which have power to contract on behalf of said district or to levy the special assessments within such district. The petition shall be accompanied by payment to the clerk of a filing fee of $100, which shall be in addition to the fees required to be collected by the clerk under other chapters of this Act. The petition shall state that a plan of readjustment has been prepared, is filed and submitted with the petition, and that creditors of the taxing district owning not less than 30 per cent in the case of drainage, irrigation, reclamation and levee districts and owning not less than 51 per cent in the case of all other taxing districts, in amount of the bonds, notes or certificates of indebtedness of the taxing district affected by the plan, excluding bonds, notes, or certificates of indebtedness owned, held, or controlled by the taxing district in a fund or otherwise, have accepted it in writing. The petition shall be accompanied with such written acceptance and with a list of all known creditors of the taxing district, together with their addresses so far as known to the taxing district, and description of their respective claims showing separately those who have accepted the plan of readjustment, together with their separate addresses, the contents of which list shall not constitute admissions by the taxing districts in a proceeding under this chapter or otherwise. Upon the filing of such a petition the judge shall enter an order either approving it as properly filed under this chapter, if satisfied that such petition complies with this chapter and has been filed in good faith, or dismissing it, if not so satisfied. If creditors holding 5 per centum in amount of the bonds, notes, or certificates of indebtedness shall, within ninety days after the first publication of the notice provided for in subdivision (c), clause (1), of this chapter, appear and controvert the facts alleged in the petition, the judge shall decide the issues presented, and unless the material allegations of the petition are sustained, shall dismiss the petition.

(b) A plan of readjustment within the meaning of this chapter (1) shall include provisions modifying or altering the rights of creditors generally, or of any class of them,

secured or unsecured, either through the issuance of new securities of any character or otherwise; and (2) may contain such other provisions and agreements, not inconsistent with this chapter, as the parties may desire.

No creditor shall be deemed to be affected by any plan of readjustment unless the same shall affect his interests materially and adversely, and in case any controversy shall arise as to whether any creditor or class thereof shall or shall not be affected, the issue shall be determined by the judge after hearing upon notice to the parties interested.

The term "securities" shall include bonds, notes, and other evidences of indebtedness, either secured or unsecured, and certificates of beneficial interests in property. The term "creditors" shall include for all purposes of this chapter all holders of claims, debts, securities, liens or other interests of whatever character against the taxing district or its property or revenues, including claims under executory contracts and for future rent, whether or not such claims would otherwise constitute provable claims under this Act, and all holders of judgments rendered against such taxing district but excepting claims for salaries and wages of officers and employees of the taxing district.

For all purposes of this chapter any creditor may act in person or by a duly authorized agent or committee. Where any committee, organization, group, or individual shall assume to act for or on behalf of creditors, such committee, organization, group, or individual shall first file with the court in which the proceeding is pending a list of the creditors represented by such committee, organization, group, or individual, together with a statement of the amount, class, and character of the indebtedness held by each such creditor, and shall accompany the same with a copy of the contract or agreement entered into between such committee, organization, group, or individual and the creditors represented by it or them, which contracts shall disclose all compensation to be received directly or indirectly by such agent or committee.

(c) Upon approving the petition or at any time thereafter the judge (1) shall require the taxing district to give such notice as the order may direct to creditors, and to cause publication, to be made at least once a week for three successive weeks, of a hearing, to be held within ninety days after the approval of the petition for the purpose of considering the plan of readjustment filed with the petition and of any changes therein or modifications thereof which may be proposed; (2) if a plan of readjustment is not accepted and approved within such reasonable period as the judge may fix, or, if accepted and approved, is not confirmed, the judge may, after hearing, either extend such period not exceeding one year from the date of the filing of the petition, or dismiss the proceedings as the interests of the creditors may equitably require: *Provided, however,* That if a plan shall not be accepted and approved within one year from the date of the filing of the petition, the judge, after hearing, may continue the proceeding for not exceeding two years from the date of the filing of the petition, with the written consent of creditors of the taxing district holding more than one half in amount of all claims affected by the plan; (3) shall require the taxing district at such time or times as the judge may direct, and in lieu of the schedules required by section 7 of this Act, to file such schedules and submit such other information as may be necessary to disclose the conduct of the affairs of the taxing district and the fairness of any proposed plan; (4) shall determine a reasonable time and manner in which the claims and interests of creditors may be filed or evidenced, and, for the purposes of the plan and its acceptance, the division of creditors into classes according to the nature of their respective claims and interests; and may, for the purposes of such classification, classify as an unsecured claim the amount of any secured claim in excess of the value of the security thereof, such value to be determined in accordance with the provisions of chapter 57, clause (h), of this Act [§9148]; (5) may, with the authorized written approval of the taxing district, direct the rejection of contracts of the taxing district executory in whole or in part; (6) shall cause reasonable notice of such determination and of all hearings for

57

the consideration of the proposed plan, or the dismissal of the proceedings, or the allowances of fees or expenses, to be given creditors by publication or otherwise; (7) may require the taxing district to open its books, records, and files to the inspection of any creditor of the taxing district during reasonable business hours; (8) may allow a reasonable compensation for the services rendered and reimbursement for the actual and necessary expenses incurred in connection with the proceeding and the payment of special masters, readjustment managers and committees or other representatives of creditors of the taxing district, and the attorneys or agents of any of the foregoing; and appeals may be taken, from the orders making such allowances, to the circuit court of appeals for the circuit in which the proceeding undef this chapter is pending, independently of other appeals which may be taken in the proceedings, and such appeals shall be heard summarily: *Provided, however,* That no fees, compensation, reimbursement, or other allowances for attorneys, agents, committees, or other representatives of creditors shall be assessed against the taxing district or paid from any revenues, property, or funds except in the manner and in such sums, if any, as may be provided for in the plan of readjustment; (9) in addition to the provisions of chapter II of this Act for the staying of pending suits, the court may upon notice enjoin or stay until after final decree, the commencement or continuation of suits against the taxing district, or any officer or inhabitant of the taxing district, on account of the indebtedness of such taxing district, or to enforce any lien or to enforce levy of taxes for the payment of any such indebtedness: *Provided, however,* That the judge may enter an interlocutory decree providing that the plan shall be temporarily operative with respect to all indebtedness affected thereby and that the payment of the principal or interest, or both, of such indebtedness shall be temporarily postponed or extended or otherwise readjusted in the same manner and upon the same terms as if such plan had been finally confirmed and put into effect, and upon the entry of such decree the principal or interest, or both, of such indebtedness which has otherwise become due, or which would otherwise be-

come due, shall not be or become due or payable, and the payment of all such indebtedness shall be postponed during the period in which such decree shall remain in force; and (10) may refer any matters to a special master, for consideration and report upon specified issues; but (11) shall not, by any order or decree, in the proceeding or otherwise, interfere with (a) any of the political or governmental powers of the taxing district, or (b) any of the property or revenues of the taxing district necessary in the opinion of the judge for essential governmental purposes, or (c) any income-producing property, unless the plan of readjustment so provides. The taxing district shall be heard on all questions. Any creditor shall be heard on the question of the proposed confirmation of the plan, and, upon filing a petition for leave to intervene, on such other questions arising in the proceeding as the judge shall determine.

(d) The plan of readjustment shall not be confirmed until it has been accepted in writing, filed in the proceeding, by or on behalf of creditors whose claims have been allowed holding two thirds in amount of the claims of each class whose claims have been allowed and would be affected by the plan, and by creditors holding 66 2/3 per cent in the case of drainage, irrigation, reclamation and levee districts and creditors holding 75 per cent in the case of all other taxing districts in amount of the claims of all classes of the taxing district affected by the plan, but excluding claims owned, held, or controlled by a taxing district, and such plan has been accepted and approved by the taxing district in a writing filed in the proceeding, signed in its name by an authorized authority: *Provided, however,* That it shall not be requisite to the confirmation of the plan that there be such acceptance by any creditor or class of creditors (a) whose claims are not affected by the plan, or (b) if the plan makes provision for the payment of their claims in cash in full, or (c) if provision is made in the plan for the protection of the interests, claims, or liens of such creditors or class of creditors.

(e) After hearing such objections as may be made to the plan, the judge shall confirm the plan if satisfied that

(1) it is fair, equitable, and for the best interests of the creditors, and does not discriminate unfairly in favor of any class of creditors; (2) complies with the provisions of sub-division (b) of this chapter; (3) has been accepted and approved as required by the provisions of subdivision (d) of this chapter; (4) all amounts to be paid by the taxing district for services or expenses incident to the readjustment have been fully disclosed and are reasonable; (5) the offer of the plan and its acceptance are in good faith; and (6) the taxing district is authorized by law, upon confirmation of the plan, to take all action necessary to carry out the plan. Before a plan is confirmed, changes and modifications may be made therein, with the approval of the judge after hearing upon notice to creditors, subject to the right of any creditor who shall previously have accepted the plan to withdraw his acceptance, within a period to be fixed by the judge and after such notice as the judge may direct, if, in the opinion of the judge, the change or modification will be materially adverse to the interest of such creditor, and if any creditor having such right of withdrawal shall not withdraw within such period, he shall be deemed to have accepted the plan as changed or modified: *Provided, however,* That the plan as changed or modified shall comply with all the provisions of this subdivision.

(f) Upon such confirmation the provisions of the plan and of the order of confirmation shall be binding upon (1) the taxing district, and (2) all creditors, secured or unsecured, whether or not affected by the plan, and whether or not their claims shall have been filed or evidenced, and if filed or evidenced, whether or not allowed, including creditors who have not, as well as those who have accepted it.

(g) In the event the judge shall disapprove the plan he shall file an opinion stating his reasons for such disapproval. If he approve the plan, the final decree shall discharge the taxing district from those debts and liabilities dealt with in the plan except as provided in the plan; and upon the entry of such decree the jurisdiction of the court in such proceeding shall cease.

(h) A certified copy of the final decree or of an order confirming a plan of readjustment, or of any other decree or order entered in a proceeding under this chapter, shall be evidence of the jurisdiction of the court, the regularity of the proceedings, and the fact that the decree or order was made. A certified copy of an order directing the transfer of any property dealt with by the plan, shall be evidence of the transfer of title accordingly, and if recorded as conveyances are recorded shall impart the same notice that a deed, if recorded, would impart.

(i) In proceedings under this chapter and consistent with the provisions thereof, the jurisdiction and powers of the court, the duties of the taxing district and the rights and liabilities of creditors, and of all persons with respect to the taxing district and its property, shall be the same as if a voluntary petition for adjudication had been filed and a decree of adjudication had been entered on the day when the petition of the taxing district was approved.

(j) This chapter shall take effect and be in force from and after the date of the approval of this amendatory Act and shall apply as fully to taxing districts and their creditors, whose interests or debts have been acquired or incurred prior to such date as to taxing districts and their creditors, whose interests or debts are acquired or incurred after such date.

(k) Nothing contained in this chapter shall be construed to limit or impair the power of any State to control, by legislation or otherwise, any political subdivision thereof in the exercise of its political or governmental powers, including expenditures therefor, and including the power to require the approval by any governmental agency of the State of the filing of any petition hereunder and of any plan of readjustment, and whenever there shall exist or shall hereafter be created under the law of any State any agency of such State authorized to exercise supervision or control over the fiscal affairs of all or any political subdivisions thereof, and whenever such agency has assumed such supervision or control over any political subdivision, then no petition of such political subdvision may be received here-

under unless accompanied by the written approval of such agency, and no plan of readjustment shall be put into temporary effect or finally confirmed without the written approval of such agency of such plans.

(l) If any provision of this chapter, or the application thereof to any person or circumstances, is held invalid, the remainder of the chapter, or the application of such provision to other persons or circumstances, shall not be affected thereby.

Approved May 24, 1934.

Title 43, Chapter 403.

United States Code.

Refinancing agricultural improvement districts; loans by Reconstruction Finance Corporation authorized. The Reconstruction Finance Corporation is authorized and empowered to make loans as hereinafter provided, in an aggregate amount not exceeding $125,000,000 to or for the benefit of drainage districts, levee districts, levee and drainage districts, irrigation districts, and similar districts, mutual non-profit companies and incorporated water users' associations duly organized under the laws of any State, and to or for the benefit of political subdivisions of States, which prior to May 12, 1933, have completed projects devoted chiefly to the improvement of lands for agricultural purposes. Such loans shall be made for the purpose of enabling any such district, political subdivision, company, or association (hereafter referred to as the "borrower") to reduce and refinance its outstanding indebtedness incurred in connection with any such projects; or, whether or not it has any such indebtedness, to purchase or otherwise acquire in connection with such project storage reservoirs or dams or sites therefor, or additional water rights, or canals, ditches, or rights-of-way for the conduct of water, or other works or appurtenances necessary for the delivery of water, provided such purchase or acquisition is not intended to bring additional lands into production. Such loans shall be subject to the same terms and conditions as

loans made under section 605 of Title 15; except that (1) the term of any such loan shall not exceed forty years; (2) each such loan shall be secured by bonds, notes, or other obligations which are a lien on the real property within the project or on the assessments, taxes, or other charges imposed by the borrower pursuant to State law, or by such other collateral as may be acceptable to the Corporation; (3) the borrower shall agree not to issue during the term of the loan any other bonds so secured except with the consent of the Corporation; (4) the borrower shall agree, insofar as it may lawfully do so, that so long as any part of such loan shall remain unpaid the borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amount by which the assessments, taxes, and other charges collected by it exceed (a) the cost of operation and maintenance of the project, (b) the debt charges on its outstanding obligations, and (c) provision for such reasonable reserves as may be approved by the Corporation; and (5) in the case of a loan to reduce or refinance its outstanding indebtedness, the borrower shall agree, to the satisfaction of the Corporation, to reduce, insofar as it lawfully may, the annual taxes, assessments, and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of this section. No loan shall be made under this section until the Reconstruction Finance Corporation (A) has caused an appraisal to be made of the property securing and/or underlying the outstanding bonds of the applicant, (B) has determined that the project of the applicant is economically sound, and (C) in the case of a loan to reduce or refinance the outstanding indebtedness of an applicant, has been satisfied that an agreement has been entered into between the applicant and holders of its outstanding bonds or other obligations under which the applicant will be able to purchase or refund all or a major portion of such bonds or other obligations at a price determined by the Corporation to be reasonable after taking into

consideration the average market price of such bonds over the six months' period ending March 1, 1933, and under which a substantial reduction will be brought about in the amount of the outstanding indebtedness of the applicant.

When any loan is authorized pursuant to the provisions of this section and it shall then or thereafter appear that repairs and necessary extensions or improvements to the project of such district, political subdivision, company, or association are necessary or desirable for the proper functioning of its project or for the further assurance of its ability to repay such loan, and if it shall also appear that such repairs and necessary extensions or improvements are not designed to bring new lands into production, the Corporation, within the limitation as to total amount provided in this section, may make an additional loan or loans to such district, political subdivision, company, or association for such purpose or purposes. When application therefor shall have been made by any such district, political subdivision, company, or association any loan authorized by this section may be made either to such district, political subdivision, company, or association or to the holders or representatives of the holders of their existing indebtedness, and such loans may be made upon promissory notes collateraled by the obligations of such district, political subdivision, company, or association or through the purchase of securities issued or to be issued by such district, political subdivision, company, or association. May 12, 1933, c. 25, Title II, #36, 48 Stat. 49, as amended June 16, 1933, c. 101, #19, 48 Stat. 308; June 19, 1934, c. 653, #11, 48 Stat. 1110; June 27, 1934, c. 851, 48 Stat. 1269.)

Article III, Section 52, Texas Constitution:

The legislature shall have no power to authorize any county, city, town or other political corporation or subdivision of the state, to lend its credit or to grant public money or thing of value in aid of, or to, any individual, association or corporation whatsoever, or to become a stockholder in such corporation, association or company; provided, however, that under legislative provision any county, any political subdivision of a county, any number

of adjoining counties, or any political subdivision of the state, or any defined district now or hereafter to be described and defined within the state of Texas, and which may or may not include towns, villages or municipal corporations, upon a vote of a two-thirds majority of the resident property taxpayers voting thereon who are qualified electors of such district or territory to be affected thereby, in addition to all other debts, may issue bonds or otherwise lend its credit in any amount not to exceed one-fourth of the assessed valuation of the real property of such district or territory, except that the total bonded indebtedness of any city or town shall never exceed the limits imposed by other provisions of this constitution, and levy and collect such taxes to pay the interest thereon and provide a sinking fund for the redemption thereof, as the legislature may authorize, and in such manner as it may authorize the same, for the following purposes, to-wit:

(a) The improvement of rivers, creeks and streams to prevent overflows, and to permit of navigation thereof, or irrigation thereof, or in aid of such purposes.—

(b) The construction and maintenance of pools, lakes, reservoirs, dams, canals and waterways for the purposes of irrigation, drainage or navigation, or in aid thereof.

(c) The construction, maintenance and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof.

Article XVI, Section 59a, Texas Constitution:

Sec. 59a. The conservation and development of all of the natural resources of this state, including the control, storing, preservation and distribution of its storm and flood waters, the waters of its rivers and streams, for irrigation, power and all other useful purposes, the reclamation and irrigation of its arid, semi-arid and other lands needing irrigation, the reclamation and drainage of its overflowed lands, and other lands needing drainage, the conservation and development of its forest, water and hydro-electric power, the navigation of its inland and coastal waters, and

the preservation and conservation of all such natural resources of the state are each and all hereby declared public rights and duties; and the legislature shall pass all such laws as may be appropriate thereto.

(b) There may be created within the State of Texas, or the state may be divided into, such number of conservation and reclamation districts as may be determined to be essential to the accomplishment of the purposes of this amendment to the constitution, which districts shall be governmental agencies and bodies politic and corporate with such powers of government and with the authority to exercise such rights, privileges and functions concerning the subject matter of this amendment as may be conferred by law.

(c) The legislature shall authorize all such indebtedness as may be necessary to provide all improvements and the maintenance thereof requisite to the achievement of the purposes of this amendment, and all such indebtedness may be evidenced by bonds of such conservation and reclamation districts, to be issued under such regulations as may be prescribed by law and shall also, authorize the levy and collection within such districts of all such taxes, equitably distributed, as may be necessary for the payment of the interest and the creation of a sinking fund for the payment of such bonds; and also for the maintenance of such districts and improvements, and such indebtedness shall be a lien upon the property assessed for the payment thereof; provided the legislature shall not authorize the issuance of any bonds or provide for any indebtedness against any reclamation district unless such proposition shall first be submitted to the qualified property tax-paying voters of such district and the proposition adopted.

Forty-Fourth Legislature—Regular Session.

Authorizing Municipalities, Political Subdivisions and Taxing Districts to Proceed Under Provisions of Federal Bankruptcy Laws.

(S. B. No. 4.)

5*u*

Chapter 107.

An Act authorizing municipalities, political subdivisions and taxing districts to proceed under the provisions of Federal Bankruptcy Laws enacted for the relief of such municipalities, political subdivisions and taxing districts; and declaring an emergency.

Be it enacted by the Legislature of the State of Texas:

SECTION 1. That all municipalities, political subdivisions and taxing districts in this State which have power to incur indebtedness, either through action of their own governing bodies or through action of the governing bodies of counties or cities in which such political subdivisions or taxing districts are included, are hereby authorized to proceed under all laws enacted by the Congress of the United States under the Federal Bankruptcy powers, which laws have for their object the relief of municipal indebtedness, including H. R. 5950 of the Seventy-third Congress, entitled, "An Act to amend an Act entitled 'An Act to establish a uniform system of bankruptcy throughout the United States,' approved July 1, 1898, and acts amendatory thereof and supplementary thereto," approved May 24, 1934, and the officials and governing bodies of such municipalties, political subdivisions and taxing districts are authorized to adopt all proceedings and to do any and all acts necessary or convenient to fully avail such municipalities, political subdivisions and taxing districts of the provisions of such Acts of Congress.

SEC. 2. The public importance of this measure and the necessity for its enactment to relieve the acute financial embarrassment and to preserve the faith and credit of many municipalities, political subdivisions and taxing districts in this State, create an emergency and an imperative public necessity requiring the suspension of the Constitutional Rule requiring bills to be read on three separate days in each House, and said Rule is hereby suspended, and this

Act shall take effect and be in force from and after its passage, and it is so enacted.

Approved April 27, 1935.

Effective April 27, 1935.

(Article 1024a, Vernon's Annotated Revised Civil Statutes of the State of Texas, 1935 Supplement.)

Texas Revised Civil Statutes, 1925—

Art. 7622. Water Improvement Districts Established.—The county commissioners' court of any county in this State at any regular or called session thereof may establish one or more water improvement districts in their respective counties, or parts of such districts therein, in the manner hereinafter provided. Such districts may or may not include within their boundaries villages, towns, cities, and municipal corporations, or any part thereof, but no land shall be at the same time included within the boundaries of more than one water improvement district created under this chapter. Such districts when so established may make improvements or may purchase improvements already existing, or may purchase improvements and make additions thereto, and may issue bonds in payment therefor, as herein provided. Such districts being authorized to provide for the irrigation of the land included therein, and when operating under Section 59 of Article 16 of the Constitution, furnish water for domestic, power and commercial purposes. Such districts may be formed for co-operation with the United States under the Federal Reclamation Laws for the purpose of the construction of irrigation works, including drainage works, necessary to maintain the irrigability of the land for the purchase, extension operation or maintenance of constructed works or for the assumption, as principal or guarantor, of indebtedness to the United States on account of district lands. (Acts 2nd C. S., 1919, p. 65, part Sec. 1.)

Art. 7675. Taxes Remain Lien.—All lands and other property which have been returned delinquent, during the existence of such district, shall be subject to the provisions of this Act, and said taxes shall be and remain a lien upon said land, and upon all other property against which same were assessed, although the owner be unknown or though such

land be listed in the name of a person not the actual owner, and though the ownership be changed the land may be sold under the judgment of the court for all taxes, interest, penalty, and costs shown to be due by such assessment for any preceding year or years, provided the record owner of such land or lands at the date of filing such suit be made a party to such suit and be properly cited, and such districts shall have authority to file suits for the collection of taxes due upon land and also personal property or property of any character. No law providing for a period of limitation on debt or actions shall apply to such taxes, occurring after the formation of such district. (Acts 1st C. S., 1921, p. 149, Sec. 40.)

Art. 7703. Determine Validity.—Any such district in this State desiring to issue bonds in accordance with this chapter shall, before such bonds are offered for sale, bring an action in the district court in any county of the judicial district in which said district, or any part thereof, may be situated or in the district court of Travis County, to determine the validity of any such bonds, or such district contracting with the United States in accordance with this chapter, shall, if requested by the Secretary of the Interior, bring an action in said court to determine the validity of said contract. Such action shall be in the nature of a proceeding *in rem*, and jurisdiction of all parties interested may be had by publication of a general notice thereof once each week for at least two consecutive weeks in some paper of general circulation published in the county or counties in which such district is situated, and if no paper is published in the county then same shall be published in a paper in the nearest county thereto where a paper is published. Notice shall also be served upon the Attorney General of the State of Texas of the pendency of said action in the same manner as in civil suits. (Acts 2nd C. S., 1919, p. 72, Sec. 60.)

Art. 7706. Judgment Rendered.—Upon the trial of the issues made under the preceding article, if the judgment of the court shall be adverse to the district, then such judgment may be by said district accepted, and the error pointed out in such proceedings may be corrected in the manner

designated or directed by said court, and when so corrected, the judgment of the district court shall be rendered showing that said corrections had been made, and that the bonds issued thereunder, or the said contract with the United States, are binding obligations upon said district. And thereafter the judgment, when so finally made and entered, shall be received as *res adjudicata* in all cases arising in connection with said bonds or any interest due thereon, or in connection with the collection of moneys required by contract with the United States, and as to all matters pertaining to the organization and validity of said district, or pertaining to the validity of the bonds or of the said contract with the United States. (Id. Sec. 62.)

Art. 7712. Directors Levy Tax.—Whenever such bonds shall have been voted, the directors for such district shall levy a tax upon all property within such district sufficient in amount to pay the interest on such bonds together with an additional amount to be placed in the sinking fund, sufficient to discharge and redeem said bonds at their maturity, and said directors for such district shall annually levy or cause to be assessed and collected taxes upon all property within said district sufficient in amount to pay for the expenses for assessing and collecting such taxes. Whenever contract shall be made with the United States, taxes shall similarly be levied sufficient in amount to meet all installments, as they become payable, and interest, if any, and the directors shall cause due levy annually to be made until all such contracts and obligations shall have been discharged. Such bonds may be issued in serial form, or payable in installments, as determined by said directors, and such tax levy shall be sufficient if it provides an amount sufficient to pay the interest on such bonds and to meet the proportional amount of the principal of the next maturing series of said bonds, and the expenses of assessing and collecting such taxes for such year. (Id., p. 193, Sec. 68.)